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Better Marketing



Division of Marketing and Marketing Agreements

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COMMITTEE'S REPORT FAVORS AGREEMENTS

Study Initiated by Vegetable Growers' Association Reveals Benefits From Marketing Agreement Plans

Marketing agreements have aided vegetable growers in improving selling conditions and returns for their products, according to a report made by the committee on marketing agreements at the annual convention of the Vegetable Growers' Association of America held last week at Cleveland, Ohio.

The study on which the report was based was authorized by the association at its annual convention in Hartford, Conn., a year ago. At that time the committee was named and requested to make a study of marketing agreements in operation for vegetable crops to determine, first, whether the operation of these agreements had been successful and, second, the limits of the adaptation of these agreements to the marketing of vegetables. In addition to studying available information concerning the purposes of marketing agreement programs and methods of functioning, the committee obtained first-hand information from growers who had participated in the management of these programs.

Cooperative Principle Extended

"The basic principle underlying the marketing agreement programs under the provisions of the Agricultural Adjustment Act have been to provide satisfactory adjustments of shipments to market in order to increase the financial returns to growers", the committee's report said. "It is really extension of the

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Citrus Crop Has Good Prospects; Deciduous Fruits Appear Shorter

Plentiful supplies of citrus fruits and a considerably lower aggregate production of deciduous fruits are indicated for this season, according to the General Crops Section.

The condition of oranges on September 1 in the four important producing States averaged 74.7 percent of normal as compared with 68.5 percent on the same date in 1935 and 75.3 percent on September 1, 1934, the Bureau of Agricultural Eco-

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DROUGHT EFFECTS SEEN IN DAIRY PRICE GAINS

Improved Demand for Dairy Products Also a Factor in Current Situation; Feed Supplies Low

Dairy products prices continuing at far above last year, milk production considerably below last year, and prospects for only a slightly larger feed grain supply than in 1934 with prospective hay supplies much greater than in that year, are the principal recent developments in the dairy situation, according to the Dairy Section.

With the development of draught conditions, dairy products prices increased markedly during the summer. The seasonally adjusted index of farm prices of dairy products as a group for August was 131 percent of pre-war. This compares with 102 percent for that month in 1935, 82 percent in 1932 and 160 percent in 1929. The United States average farm

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FEDERAL COURT UPHOLDS MARKETING PROVISIONS

California Decision Rules Regulation of Shipments Under Citrus Order To Be Within Constitutional Limits

The constitutionality of the marketing agreement and order provisions of the Agricultural Adjustment Act as amended on August 24, 1935, were upheld in the Federal District Court for the Southern District of California in a decision rendered by Judge Leon R. Yankwich, who, at the instance of the United States, granted a permanent injunction against Hugh David Edwards, trading as the Edwards Fruit Co., of Colton, Calif. The permanent injunction will prevent Mr. Edwards from shipping oranges from California in violation of the order regulating the handling of oranges and grapefruit grown in California and Arizona.

The decision, rendered September 8, reasserted Judge Yankwich's opinion previously rendered on April 4, when an interlocutory injunction was granted the Federal Government against the Edwards Fruit Co. until the case could finally be decided by the court. In a stipulation of facts, the defense was based on the constitutionality of the order issued by the Secretary of Agriculture on January 26, 1936.

"Economic Principles"

Citing recent Supreme Court decisions in which the right to fix prices was involved, the court stated, "Can it then be said the plenary power of the Congress to regulate commerce does not extend to the regulation of quantities of products to be sent in interstate commerce? The regulation of prices would have a much more direct bearing upon the production of goods than the regulation of the quantities to be shipped in interstate commerce. Such regulation would, according to ordinary economic principles, affect the entire price structure of the product, and would be felt not only by the portion of the product in interstate commerce, but also by the portion sold locally. It is an economic truism that a stable price structure affects production. Everywhere, and particularly in the United States, since the depression, the efforts toward economic recovery have been directed toward establishing a stable price structure that would encourage production and thus restore the unbalanced economic life. A regulation of prices must affect production directly. And yet such regulation is within the power to regulate commerce.

"How, then, can it be said that the exercise of that power, when it aims to

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EVAPORATED MILK INDUSTRY'S MARKET AGREEMENT CONTRIBUTES TO SHARP INCOME GAIN OF FARMERS

Total payments to producers for milk used in the manufacture of evaporated milk increased 70 percent from 1932 to 1935 while prices received by farmers per hundred pounds of milk for this use improved 52 percent, according to the Dairy Section.

The increase in farm prices of milk purchased by evaporated milk plants and in consumption of evaporated milk in recent years has, of course, resulted from a variety of causes. Improvement in business conditions has, no doubt, been a very important factor. The droughts in 1934 and 1936 have also had considerable influence upon farm prices of milk. Besides, the evaporated milk industry has been operating under a marketing agreement since September 9,

1933, and under a marketing agreement and license since May 31, 1935.

The marketing agreement program now in effect provides for fair-trade practices and for minimum prices to producers computed on the basis of butter and cheese prices. The provisions have tended to keep farm prices of milk delivered at condenseries in line with prices of milk for other uses. If anything, farm prices of milk delivered at condenseries during the past 3 years have been slightly above their usual relationship to butter prices, due perhaps to the agreement program, the droughts, and the upswing of the business cycle.

Payments to farmers for milk used in the manufacture of evaporated milk in

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JESSE W. TAPP, Director

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**AGRICULTURAL ADJUSTMENT ADMINISTRATION
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NATHAN KOENIG, Editor, BETTER MARKETING

EVAPORATED MILK

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1935 were estimated at \$55,500,000, compared with \$45,200,000 in 1934, and \$32,600,000 in 1932. These estimates indicate an increase of 70 percent from 1932 to 1935 and 23 percent from 1934 to 1935. In terms of purchasing power the income of farmers from milk sold to condenseries in 1935 was only 8 percent below the 1929 level and was above that of any other year.

The increase in payments to farmers for milk used in the manufacture of evaporated milk has resulted from both an increase in volume of milk used and in the prices paid producers. For a considerable number of years there has been a rather consistent upward trend in the amount of evaporated milk consumed. This upward trend continued during the depression, but has been responsible for only a small part of the increase in payments to producers since 1932. In 1935, the volume of milk used in this industry was only 2.7 percent greater than in 1934, and 12 percent greater than in 1932.

Most of the increase in payments to producers since 1932 has resulted from an increase in prices. In 1935 farmers received \$1.35 per hundredweight for milk used in the manufacture of evaporated milk compared with \$1.14 in 1934, 98 cents in 1933, and 89 cents in 1932. The increase in prices received by farmers of such milk from 1932 to 1935 amounted to 52 percent, and 18 percent from 1934 to 1935.

More Goes to Producer

Farm prices of milk delivered at condenseries during the last 3 years have also been high relative to wholesale prices of evaporated milk per case. From 1932 to 1935 the average annual price of evaporated milk per case increased from \$2.37 to \$2.73—an increase of 36 cents per case, or 15 percent. During the same period, farm prices of milk delivered at condenseries increased from 89 cents to \$1.35 per hundredweight.

This year's drought is having an important influence on the evaporated-milk industry. A large proportion of the evaporated- and condensed-milk plants are located in Wisconsin, where pasture and feed supplies have been reduced by the drought. In order to obtain the milk needed, evaporated-milk plants have had to pay farmers higher prices.

In July 1936 condenseries were paying farmers an average price of \$1.63 per hundredweight compared with an average of \$1.35 per hundredweight during 1935 and \$2.04 per hundredweight in 1929. The July price, although considerably above 1935, is still about 20 percent below the 1929 level in terms of dollars. In terms of the prices of things purchased by farmers, however, it is only about 2 percent below the 1929 level. Dairymen in Wisconsin and other drought areas will probably have to purchase more feed, and pay higher prices for it, because of the drought. Their costs of producing milk have been increased by the drought. The increase in prices is, therefore, not by any means a clear gain. Also, on account of the drought, the volume of milk sold by farmers to condenseries can be expected to be somewhat less in 1936 than in 1935, but if the prices are higher the total value may prove to be greater.

RECORD TRUCK ACREAGE BALANCES DROUGHT LOSS

Unfavorable Growing Conditions Prevent Drop in Vegetable Income; Total Supplies Are Adequate

Total acreage of truck crops planted by growers in the United States in 1936 was the largest on record with drought conditions in certain areas resulting in low average yields and averting considerable loss in the total income of producers, according to the General Crops Section.

The combined acreage of truck crops for fresh consumption and for canning reached a total this year of slightly over 3,000,000 acres, excluding potatoes. In 1927 the total acreage devoted to these crops did not reach 2,000,000 acres. In other words, the acreage devoted to vegetables this year is approximately 50 percent greater than it was less than 10 years ago.

Had previous yields for the country as a whole been normal or above normal this year, vegetable growers would have experienced prices that would net them a very low return per acre and, in addition, much of the acreage would not have been worth while harvesting and would have resulted in a waste of food. This situation was averted because of the lack of rainfall in certain areas which has contributed to a low average yield for the country as a whole.

Total Supply Adequate

In view of the large acreage, however, there is an adequate supply of vegetables to meet requirements, and little if any acreage will remain unharvested. In a number of the important vegetable-producing States, growing conditions have been comparatively favorable, particularly in the Pacific Coast States, where increased acreage has meant heavy production. In other States, particularly in the Middle West, low per acre yields resulted from dry weather. The national vegetable situation this year is expected to result in a total income to growers higher than that of the last 5 years, largely as a result of the effect which dry weather had on the large acreage.

COMMITTEE'S REPORT

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principle of cooperative marketing which has been utilized by growers to a limited extent during the past 75 years. The downfall of many cooperative marketing organizations has been the fact that the organization had no control over the growers on the outside of the organization and any benefits from adjustment of shipments made by the members of the organization were frequently lessened by those who failed to cooperate."

Under the provisions of the Agricultural Adjustment Act, it is possible to establish a marketing program which operates on an industry-wide basis within the specific producing territory, the report pointed out.

"In marketing perishable crops the principal markets are often glutted during periods of peak production, often resulting in a ruinously low price, even when there is no overproduction of that particular commodity calculated on the basis of the entire season's shipments", the report said. "In instances of this kind regulation of shipments during a relatively brief period may result in marked increases to growers. In instances where plantings have been unusually heavy or conditions favorable to exceptionally high yields the proper operation of the marketing agreement tends to prevent ruinously low prices throughout the entire season by regulation of shipments throughout the entire season."

After reviewing the various methods employed under agreement programs in adjusting shipments to markets, and reporting on the operating results under six marketing-agreement programs, including those for Florida celery, southeastern watermelons, California fresh asparagus, Washington peas, lettuce, and cauliflower, and Colorado peas and cauliflower, the committee's report said:

"It is apparently safe to conclude that although the operation of marketing agreements is still in the experimental stage, considerable benefit has been derived from their operation for specialty crops produced in concentrated areas distant from the principal consuming centers. Experience to date has shown that these programs have proved most successful for industries in which growers have long realized the benefits from cooperative action. It is questionable if marketing agreements in their present form will prove satisfactory for controlling shipments where growers are located near large cities, as represented by the conditions in the market gardening areas near many of the larger cities in the North. It is much easier to control shipments where the commodity has been handled in the past through large shipping agencies or cooperative organizations, each of which handle the produce from a large number of growers, than where a large number of individual growers are also shippers and are not operating through any central organization."

The Committee on Marketing Agreements which made the report on the operations of marketing-agreement programs consists of H. H. Zimmerley, chairman, Norfolk, Va.; G. D. Jones, Cleveland, Ohio; Frank App, Bridgeport, N. J.; and Leslie Vonderau, Berea, Ohio.

EASTERN APPLE INDUSTRY UNDERGOING ADJUSTMENTS

Future Output Likely To Be Smaller As Region's Production Is Centered in More Favorable Areas

Low orchard returns during depression years have accelerated an adjustment in the apple industry of the eastern region which involves the gradual elimination of farm orchards and unprofitable commercial orchards and the concentration of production in more favorable growing areas, according to the General Crops Section.

In the marketing seasons 1924-25 through 1929-30, the New York less-than-carlot price averaged \$2.08 per bushel but declined to an average of only \$1.30 a bushel in the seasons 1930-31 through 1934-35, a decrease of about 38 percent. In the 1935-36 season the New York price averaged about \$1 per bushel which was only 4 cents a bushel above the exceedingly low average of the 1932-33 season.

The sharp decline in the terminal price of apples during the depression period was primarily the consequence of a reduction in the national nonfarm income from 105 percent of the 1924-29 average to 61 percent of this average. The fact that the terminal price remained at \$1 per bushel in the 1935-36 season may be partially explained by the fact that growers attempted to market nearly 6,000,000 bushels more in fresh fruit channels last season than in 1929-30, in spite of the fact that consumer income was only about 72 percent of the 1929-30 level and orange competition was extremely great.

Value Has Declined

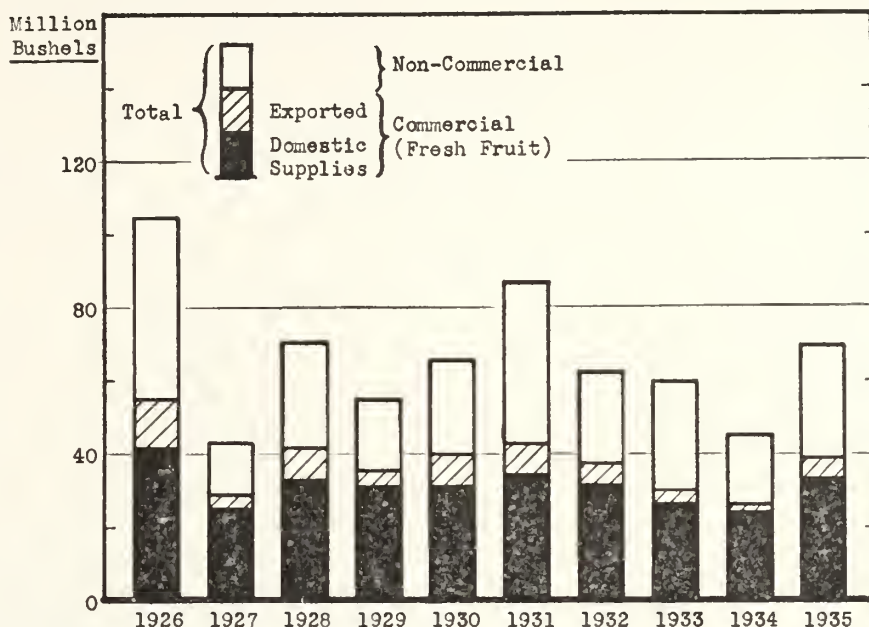
During the five seasons ending in 1935 the average farm price in the Eastern region was 41 cents below the 1924-29 average. With a decline of approximately 11 percent in average annual production in the two periods, the farm value of the commercial crops was \$26,000,000 per year in the five seasons ending in 1935, as compared to \$45,000,000 per year from 1924 to 1929, a decrease of 42 percent.

The Eastern apple region includes all of the Atlantic States with the exception of South Carolina, Georgia, and Florida where commercial apple production is of minor importance.

More apples are produced in the Eastern region than in either the Western or Central States. For the 10-year period 1926 to 1935, inclusive, the Eastern region contributed 42 percent, the Central region 23 percent and the Western region 35 percent of the United States total production. However, as a source of commercial supplies the Eastern region is not as important as the Western region. In the same 10-year period, the Eastern region contributed 40 percent, the Western region 44 percent, and the Central region 16 percent of the total commercial production.

Aside from the marked decrease in prices paid for apples in recent years, the most significant developments in the Eastern apple industry in the post-war period has been the gradual elimination of farm orchards and unprofitable com-

PRODUCTION AND UTILIZATION OF EASTERN APPLES



Despite pronounced annual variations in the size of the Eastern total apple crop, the volume of fresh fruit available for domestic consumption is remarkably constant. There are two explanations of this fact. First, the commercial crop is much less variable than the total and secondly, the volume of exports of fresh fruit, or exports of the commercial crop, tends to vary directly with the size of the commercial crop.

mercial orchards and the increased concentration of production in favorable areas. This process of adjustment was accelerated by the low orchard returns during the recent depression.

Fewer Trees

The estimated number of bearing trees in the Eastern region declined from approximately 44,000,000 trees in 1920 to 40,900,000 trees in 1930, a decline of approximately 4,000,000 trees, or 9 percent. Over three-quarters of this decrease in tree numbers took place in the North Atlantic States.

Not only did the bearing surface of apple trees in the Eastern region decline in the decade from 1920 to 1930 but there was a sharp reduction in the potential bearing surface as well. The estimated number of nonbearing trees in the Eastern region declined from approximately 16,500,000 trees in 1920 to 10,400,000 trees in 1930, a reduction of 37 percent.

Since 1930 there has been a further decrease in tree numbers as a result of the declining importance of farm orchards and because of losses caused by severe weather conditions in the winters of 1933-34 and 1934-35 which killed or seriously impaired the productivity of at least 2,600,000 bearing trees mostly in New York and the New England States. Trees of the Baldwin variety were most seriously affected. As a result of these tree losses and injury, it is estimated that the potential producing capacity of orchards in these States, at least until new trees can be brought into bearing, has been reduced by 4,000,000 to 5,000,000 bushels, which amounts to from 6 percent

to 8 percent of the average total production of the Eastern States in the period 1930 to 1934. While there is no definite information on plantings and replacements in the Eastern States for recent years, it is probable that they have been light as a result of generally unprofitable production.

Smaller Output Likely

Annual variations in Eastern production make it difficult to determine any fundamental changes in the level of production. What appears to be a trend may be in reality a result of abnormal weather conditions. The reported total production steadily declined from an annual average of nearly 68,000,000 bushels in the 5 years ending in 1924 to about 64,000,000 bushels per year in the 5 years ending in 1934. The estimated commercial production increased from an average of nearly 35,000,000 bushels per year from 1920 to 1924 to approximately 39,000,000 bushels per year from 1925 to 1929, but decreased to about the 1920-24 level in the period 1930 to 1934. In 1935, the Eastern production totalled nearly 70,000,000 bushels of which 28,500,000 bushels were apparently sold as fresh fruit.

Based on the trend in tree numbers in the Eastern region, it appears likely that both total and commercial production in the next 5-year period will be below the average of the past few years, assuming comparable weather conditions. However, marked yearly fluctuations probably will continue and in years of favorable growing conditions large crops may

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DAIRY PRICE GAINS

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price of butterfat on August 15 was 35.7 cents per pound, or 56 percent above a year ago.

The marked increase in prices this summer is attributable to improved demand conditions and a relatively low volume of dairy production due to the effects of the drought on feed conditions. Judging from the wholesale price of 92-score butter at New York, which averaged about 35.5 cents for the first half of September or practically the same as for August, the farm price of butterfat apparently has held at about the mid-August level, whereas it usually shows some seasonal increase at this time of year. This would seem to indicate that the effects of the drought already have been largely reflected in August prices.

Milk Production Down

The Bureau of Agricultural Economics reports that the average milk production per cow for the United States on September 1 was 7 percent lower than on that date last year and nearly as low as in 1934. Allowing for fewer milk cows, total milk production apparently was about 8 percent below last year and considerably below 1934. September 1 milk production was especially low in the Central and Southwestern States most seriously hit by the drought, but in the market-milk areas of the East and in the far West farmers apparently were feeding sufficiently heavily in response to higher prices to maintain milk production per cow at average or above average levels.

Pasture conditions on August 1 and September 1 were the poorest on record in most of the principal dairy States. They are extremely poor in practically the whole area from the Rockies to the Appalachians. However, the drought has been rather generally relieved by rains and cooler weather in late August and early September, and prospects for fall pastures have improved except in parts of the area extending from southern Illinois to Oklahoma and in New England.

The prospects now are definitely for a low supply of feed grains for the coming winter feeding season. According to estimates based on September 1 indications, this year's production of feed grain probably will be only about 58,000,000 tons compared with 54,000,000 in 1934 and the 1923-32 yearly average of about 100,000,000 tons. By using stocks of old corn and oats and leaving a small carry-over next year, the utilization of feed grains during the next 12-month period may be increased to about 66,000,000 tons compared with 62,500,000 tons in 1934. The prospective feed shortage has resulted in increased marketings of cattle and hogs, and it is anticipated that the total number of grain consuming animal units this winter may not be much larger than in the winter of 1934-35.

This year's tame and wild hay crop is estimated at 20 percent under 1935 and 13 percent under the 1928-32 average, but 20 percent more than in 1934. Carry-over stocks of old hay were large this year. Therefore, the prospective roughage situation is not nearly as serious as in the 1934-35 season or as the prospective feed grain situation. How-

ever, these feed conditions may be expected to have a restricting influence on dairy production during the coming winter.

FEDERAL COURT DECISION

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limit the *quantity* of products to be shipped in interstate commerce, is invalid, as involving control over production?

"To deny to Congress its plenary power over commerce, merely upon the assumption that, in *some indirect way*, such control may induce persons to increase production voluntarily, would, if carried to its ultimate conclusion, cripple and destroy the power.

"The marketing provisions of the Agricultural Adjustment Act are, in my opinion, a proper exercise of the power to regulate commerce. They are not an attempt to control production of the type condemned in *Schechter v. U. S.*, and *Carter v. Carter Coal Co.* Despite the admiration which I have for the distinguished district judge of the district of Massachusetts, the Honorable Elisha H. Brewster, I cannot follow his conclusions, declared in the case of *U. S. v. Buttrick Co.*, that these marketing provisions are attempts to control production.

"My own conclusion is that they are not.

Power Not Delegated

"Nor do they involve any unlawful delegation of legislative power. We do not have in them the attempt given to persons constituting a portion of a group to control the conditions of production of others in the same group which the court condemned in *Carter v. Carter Coal Co.*

"Using the language of Mr. Chief Justice Hughes in *Panama Refining Co. v. Ryan*, the marketing provisions of the Agricultural Adjustment Act *declare a policy* with respect to the subject, *set up a standard* for the delegate's action, and *require findings* by the delegate. As such, they involve only that authority or discretion as to the execution of the law or of the declared policy of the law which has always been recognized as valid.

"Without it, the carrying into effect of many of the broadest constitutional powers of the Congress would, from a practical standpoint, be rendered illusory."

Within Constitutional Limits

Concluding his opinion, Judge Yankwich stated:

"As I said in my previous opinion, the Congress has provided in the marketing provisions of the Agricultural Adjustment Act a clear and definite standard (or rule). And the discretion which it has delegated is limited by that standard. Or—to use the language of Mr. Chief Justice Taft, in another portion of the opinion in *Hampton & Co. v. United States*—the Congress of the United States has laid down by legislative act 'an intelligible principle' to which the Secretary of Agriculture 'is directed to conform.'

"This is a strict observance of the constitutional limitations in the matter of delegation of legislative power."

EASTERN APPLE INDUSTRY

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occur with attendant difficult marketing conditions.

In the Eastern region apples begin to move into storage in September and increase rapidly to a peak in November. Cold storage holdings in the Eastern States have increased in recent years. In the 5 years ending in 1926, December 1 holdings averaged 11,600,000 bushels, or 29 percent of the Eastern commercial crop, but in the 5 years ending in 1935 they increased to an average of 12,400,000 bushels, or to 36 percent of the commercial crop. It appears that in the Eastern region as well as the West, the volume of apples sold in winter and spring months has been increasing.

Eastern growers have a vital interest in the export trade in apples. This is especially true of those in the Cumberland-Shenandoah and Piedmont sections where great emphasis has been placed on varieties popular in export markets.

During the past 5 seasons exports in barrels and baskets averaged nearly 5,200,000 bushels per year as compared with approximately 7,800,000 bushels in the previous 5 seasons. In the past season barreled exports amounted to nearly 5,500,000 bushels, or nearly double the exports of 2,350,000 bushels in the 1934-35 season.

Because of improvements in quality and a shift to more desirable varieties in European apple-producing countries, and the efforts of such countries as Australia and Canada to raise export standards, apples from the United States probably will face increasing competition on a quality and varietal basis. To meet this competition Eastern growers may have to pay greater attention to the export pack, size of fruit, and the use of packages that will permit the fruit to arrive in these markets in good condition.

FRUIT CROP PROSPECTS

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nomics reports. The September 1 condition of the winter orange crop in California and of the Florida crop was appreciably better than last year.

Growing conditions for grapefruit have been exceedingly favorable as compared with last season. The condition of the Florida crop was reported at 72 percent of normal on September 1, as compared with 52 percent on September 1, 1935, and in Texas the condition was 71 percent as compared with only 34 percent last year.

Based on present indications, a commercial apple crop of around 66,000,000 bushels is in prospect for this year. This would mean a reduction of 28,000,000 bushels from the large production of last year and 8,000,000 bushels less than was produced in 1934.

The indicated production of pears for the 1936 season is approximately 24,000,000 bushels or 2,000,000 bushels in excess of the 1935 production and around 1,000,000 bushels more than the average production during the 5-year period, 1929-32. Growing conditions have been favorable in the Pacific States which produce most of the commercial pear crop.